GRADED ACCOUNTING PROBLEMS

NEW YORK UNIVERSITY
SCHOOL OF COMMERCE,
ACCOUNTS AND FINANCE

3

Graded Accounting Problems

(FOR ADVANCED GRADES)

Compiled, Arranged and Classified

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Manufacturing, Training, and Profit and Loss Accounts, and Balance Sheets.

Problem 1

The output of the A B C Coal Company for the year ending December 31, 1899, was 1,567,833 tons, and the trial balance at that date was as follows:

Plant, machinery, etc.	$5,000,000.00	Capital stock	$5,000,000.00
Construction	85,790.50	Sales	3,857,642.76
Bills receivable	63,000.00	Accounts payable	89,451.26
Accounts receivable	21,650.29		
Cash	98,752.31		
Materials	145,853.20		
Coal on hand, Jan. 1, 1899	12,750.36		
Wages	1,973,376.89		
Supplies	389,402.20		
Injuries to persons	10,000.00		
Salaries	45,750.00		
Insurance	20,482.00		
Taxes	26,597.40		
Office expenses	29,872.50		
Legal expenses	36,731.09		
Dividends	150,000.00		
Rentals and royalties	262,530.20		
Freight outward	361,951.17		
Horse and wagon hire	109,532.10		
Discount and allowance	94,321.60		
Miscellaneous	8,750.21		
	$8,947,094.02		$8,947,094.02

Coal on hand, per inventory, $15,862.70.

From the foregoing prepare a balance sheet, and income and profit and loss accounts, the latter to show gross earnings, net earnings, per cent. of expenses to gross earnings, average cost per ton (carried to four decimal places) and average net earnings per ton (carried to four decimal places).

Problem 2

The general ledger of Ward & West at the close of the fiscal year ending 31st December, 1906, displayed the following accounts and balances:

Cash	$13,050.00	
Bills receivable	6,300.00	
Bills payable		5,000.00
Accounts receivable	14,040.00	
Accounts payable		6,948.00
Real estate	28,800.00	
Machinery and tools	7,200.00	
Furniture and fixtures	2,160.00	
Inventory, Dec. 31, 1905	39,600.00	
Purchases	61,200.00	
Sales		96,300.00
Investment securities	10,440.00	
Taxes	2,466.00	
Insurance	414.00	
Salaries of partners	8,000.00	
Salaries of clerks	3,550.00	
Wages of workmen	20,706.00	
Traveling expenses	1,530.00	
Discount	486.00	
Light and heat	612.00	
Freight on goods sold	1,638.00	
Office and sundry expenses	1,332.00	
Bad debts written off	1,404.00	
Ward, personal drawings in excess of salary	2,220.00	
West, personal drawings in excess of salary	1,110.00	
Ward, capital investment		90,000.00
West, capital investment		45,000.00
Good will acquired by purchase	15,480.00	
Income from investment		490.00
	$243,738.00	$243,738.00

Residuary Values at 31st of December, 1906:

Inventory of materials	$55,776.00
Unexpired insurance	130.00
Wagers accrued for part of week	223.00
Reserves to be provided:	
Depreciation on real estate	1 per cent.
Depreciation on machinery and tools	6 per cent.
Depreciation on furniture and fixtures	10 per cent.
Bad debts, including accounts written off	2 per cent. of sale

Prepare a business and a financial statement in technical form, treating the trading account in the prime cost only, treating the income from investments as supplementary to net profits on trading, and treating partners' salaries and reserves as application of profits. Profits to be divided among partners in proportion to the capital investments of each.

Problem 3

The books of a manufacturing concern, operating under a system of cost accounts, show the following conditions at the openig of the fiscal year: Raw materials in store room, $15,621.42; factory pay roll, applied and distributed but not paid, 2 days, $831.78; partly manufactured goods, at prime cost, $63,888.44, and the further value of $8,037.17, to cover factory burden, also $12,074.92 to cover management charges; finished wares in stock at total cost of $21,656.01.

The financial operations during the ensuing year include: Purchases of raw materials, $80,416.45; factory pay rolls, $125,793.90; factory expense, including wages not applied to cost accounts, $24,846; management expenses, $38,100; interest paid on loans, $1,200; income from investments, $5,004.

The manufacturing operations during the same year comprehend raw materials issued on requisition for consumption $79,820.34; wages applied and distributed to manufacturing cost $120,250.40 and to factory expenses $5,959.39 included in the sum stated in preceding paragraph.

Finished goods transferred from factory to warerooms, at prime cost, covering materials $78,542.58 and labor $118,333.75. The trading operations during the same year comprehend; cost of goods sold $251,949.90; proceeds from goods sold $302,339.88.

At the close of the year the partly completed goods included, in addition to prime cost, the further elements of value to cover factory and management expenses in the amounts respectively of $8,439.02 and $12,678.66, and factory pay roll for three days amounting to $1,247.67 which has been applied and distributed, though not due till the close of the current week.

The basis of the apportionment on cost or overhead charges was as follows: factory expense 20% to materials and 80% to labor; management expenses 30% to materials and 70% to labor.

The transactions of the previous year in round amounts were used in calculating the current year's apportionment, viz., Materials, $75,000; labor $115,000; factory expense, $24,000; management expense, $36,000.

Open the general ledger accounts that control the cost accounts; show the operation of each and the net profits resulting; also calculate the percentage to be added to each $1 of material and of labor to give the total cost.

Problem 4

A gas company shows the following trial balance at the end of its first year of business:

Manufacturing labor	$ 5,400.00	Capital stock	$ 500,000.00
Boiler fuel	3,200.00	Bonds	500,000.00
Generator fuel	5,400.00	Accounts payable	48,000.00
Oil	126,000.00	Gas accounts	342,600.00
Purifiers	3,200.00		
Repairs, works	2,600.00		
Expense, works	3,900.00		
Water	1,500.00		
Insurance	300.00		
Taxes	4,800.00		
Distribution labor and material	12,000.00		
Office expense	13,500.00		
Stable expense	4,000.00		
Repairs, mains	1,800.00		
Repairs, meters	600.00		
Repairs, services	700.00		
Street lighting	300.00		
Advertising	300.00		
Maintenance arc lamps	1,500.00		
Licenses	1,000.00		
Discounts	34,000.00		
General expenses	5,000.00		
Sundry debtors, gas	40,000.00		
Sundry debtors, mdse.	10,000.00		
Cash	29,000.00		
Bond interest	25,000.00		
Plant	1,055,600.00		
	$1,390,600.00		$1,390,600.00

The inventory of Manufacturing Material is $20,000.00
The inventory of Distribution Material is 4,000.00
No other inventories of any description are carried.

The amount of gas manufactured during the year was 300,000,000 cubic feet. Amount sold, 270,000,000 cubic feet. Unaccounted for, 30,000,000 cubic feet.

Give: 1st. The manufacturing cost of gas sold. 2d. The distribution cost of gas sold. Prepare statement of operations of the Company and balance sheet of assets and liabilities.

Problem 5

From the following particulars draw a trading and profit and loss account for the year, and a balance sheet at the 31st December, 1900, of the Refuse Destructor Company, Lim., the nominal capital of which is $75,000.00, divided into 75,000 shares of $1.00 each. The stock-in-trade and the loose tools at the date of the balance sheet were valued at $17,500.00, and $3,500.00 respectively. Write off the preliminary expenses ($350.00), and the following depreciation, viz.: Machinery and plant, 2½%; office furniture, 10%; patterns, 10%; patents, 7½%; and provide a reserve for doubtful debts of $750.00.

Premises (freehold)	$13,000.00	......
Machinery and plant	12,500.00	......
Subscribed capital	......	$50,000.00
First call (arrears)	5,000.00	......
Second call (arrears)	5,000.00	......
Interim dividend paid	2,000.00	......
Stock-in-trade, 31st December, 1899	15,000.00	......
Office furniture	500.00	......
Loose tools, 31st December, 1899	4,000.00	......
Patterns	5,000.00	......
Patents	3,000.00	......
Goodwill	10,000.00	......
Sundry debtors	30,000.00	......
Cash in hand	50.00	......
Cash at bank on current account	2,400.00	......
Cash at bank on deposit account	10,000.00	......
Profit and loss account, December 31, 1899	......	300.00
Debentures, 5 per cent	......	30,000.00
Sundry creditors	......	12,805.00
Bills payable	......	14,000.00
Sales	......	100,000.00
Purchases	50,000.00	......
Wages (manufacturing)	25,000.00	......
Erecting, fitting, and carriage of destructors	6,000.00	......
Repairs and renewals	1,000.00	......
Coal	2,000.00	......
Gas and water	100.00	......
Rates, taxes and insurance	1,000.00	......
Salaries (office)	800.00	......
Traveling and commission	1,050.00	......
General expenses	400.00	......
Reserve for bad and doubtful debts	......	2,000.00
Directors' fees	600.00	......
Interest on debentures	1,500.00	......
Interest	......	50.00
Audit fee	105.00	......
Royalties	300.00	......
Discounts allowed	3,000.00	......
Discounts received	......	1,500.00
Preliminary expenses	350.00	......

Problem 6

A manufacturing company after erecting and equipping its factory, placing orders for materials, and hiring a working force of skilled mechanics, commences operations. In addition to the financial accounts, arrangements have been made to conduct cost accounts from the outset, and the current details thereof grouped under account titles and collated upon "forms" show the following activities:

Form 1	Receiving sheet.	
	Raw materials received into store room	$7,701.37
" 2	Consumption sheet—materials.	
	Raw materials consumed	6,651.69
" 3	Consumption sheet—manufacturing.	
	Partly made goods consumed, combining values of materials	3,225.82
	and of labor	3,106.26
	Previously expended, and to which further material and labor value were added.	
" 4	Product sheet.	
	Manufactured products, combining values of material	9,877.51
	and labor	13,127.13
	As per manufacturing reports, discharging requisitions, collated on forms 2 and 3.	
" 5	Cost sheet.	
	Finished wares transferred from factory to warerooms carrying prime cost of materials	5,890.69
	and labor	8,875.04
	Adding further to the material cost, $353.44, and $828.69, and to the labor cost $1,331.26, and $1,775 for factory expenses, the management expenses respectively in each instance.	
" 6	Disposition sheet.	
	Total cost of finished wares sold	14,827.84
	Proceeds of sales	17,145.40

The register of manufacturing reports shows total application of direct labor to cost in the amount of $10,020.87, and the pay rolls show expenditure for labor in the amount of $10,466.16.

Only requisitions discharged by manufacturing reports are collated on the consumption sheets for credit to accounts in the materials and manufacturing ledgers.

The medium for posting the charges and offsetting credits to manufacturing accounts, and for posting the credits to materials accounts is the consumption journal.

The medium for posting the charges to finished wares accounts and the offsetting credits to manufacturing accounts is the cost journal.

All materials, manufacturing and finished wares accounts carry units and price in each specific account, but only aggregates or controlling accounts are here dealt with.

Frame consumption journal and cost journal entries. Show the subjects and amounts of charges and credits to the several ledgers in the cost system. also the charge and credits to general ledger accounts from data developed by the cost records.

Problem 7

From the following balances on the books of a limited company, prepare a profit and loss account and a balance sheet, giving on the face of the balance sheet such information as in your opinion should be disclosed to the shareholders:

Share capital		$21,998.00
Creditors for loans and interest		2,436.00
Interest on loans and on bank overdraft		980.00
General Expenses (London)		9,420.00
General Expenses (South Africa)		1,970.00
Preliminary expenses		900.00
Call account		2,429.00
Bank overdraft and interest		6,332.00
Debtors (London and South Africa)		3,502.00
Cash in hand		26.00
Transfer fees		14.00
Gold sold		567.00
Continental Pioneer Corporation, Lim.—Share account, 500 of $1.00 each, sold at		250.00
Golden Hope Mining Co., Lim.—Share account, 20,000 of $1.00 each, sold at		9,852.00
Eldorado Syndicate, Lim.—Share account, 16,350 of $5.00 each, fully paid	$4,142.00	
Amount paid up on shares forfeited	1,250.00	
		5,392.00
Premiums on shares		225.00
Guaranteed Gold Fields, Lim.—Share account, 1,000 of $1.00 each, sold at		750.00
Sundry creditors (London)		2,014.00
Sundry creditors (South Africa)		1,829.00
Mountain Gold Mines, Lim., in liquidation—Share account, return in respect of shares previously written off		56.00

The authorized capital of the company is $50,000.00, divided into 49,000 ordinary, and 1,000 preferred shares of $1.00 each. The issued capital is 21,000 ordinary and 998 preferred shares, on which the full amount has been called up.

The company also holds 4,000 bonus shares of $1.00 each (issued with the full amount credited as paid up), in the Golden Hope Mining Company, Lim.

Of the unpaid calls ($2,429.00), the sum of $2,300.00 is hypothecated against the bank overdraft and interest. The bank also holds the company's overdue acceptances for $4,000.00, and the certificates for the 20,000 shares in the Golden Hope Mining Company, Lim., as additional security for such overdraft.

The creditors for loans hold the company's overdue acceptances for $1,975.00.

Write off the whole of the preliminary expenses.

Of the debts $2,000.00 is considered bad or doubtful.

Problem 8

The Virginia Coal Co. was originated on January 1, 1906—began operations about January 7, 1906, and kept an ordinary set of books (by double entry), but did not close their accounts at the end of any fiscal year.

Their trial balance as of December 31, 1907, was as follows:

		Dr.	Cr.
Coal lands, etc.		$300,000.00	......
Mining plant and equipment		100,000.00	......
Additions to plant and equipment			
Year ended December 31, 1906	$10,000.00		
" " " 31, 1907	40,000.00	50,000.00	......
March 1, supplies, etc., per inventories		10,000,00	......
Accounts and notes receivable		40,000.00	......
Cash		56,000.00	......
Unexpired insurance premiums		500.00	......
Sinking fund payments		22,500.00	......
Cost of production—Year ended 12/31/06		170,000.00	......
" " " " " 12/31/07		190,000.00	......
General expenses " " 12/31/06		10,000.00	......
" " " " 12/31/07		12,000.00	......
Insurance on plant " " 12/31/06		500.00	......
" " " " " 12/31/07		500.00	......
Taxes " " 12/31/06		1,500.00	......
" " " 12/31/07		2,500.00	......
Bond Interest " " 12/31/06		12,000.00	......
" " " " 12/31/07		12,000.00	......
Capital stock		......	$250,000.00
First Mtge. 6% bonds (int. payable Jan. 1, July 1)		......	200,000.00
Accounts payable		......	12,000.00
Accrued payrolls		......	4,000.00
Accrued bond interest		......	6,000.00
Accrued taxes		......	1,000.00
Coal revenue—year ended 12/31/06		......	235,000.00
" " " " 12/31/07		......	250,000.00
Misc. " " " 12/31/06		......	12,000.00
" " " " 12/31/07		......	20,000.00
		$990,000.00	$990,000.00

After an examination and verification, all accounts as stated in this trial balance are accepted as correct except that termed "sinking fund payments" ($22,500.00).

The mortgage securing bonds to the amount of $200,000.00 contains a sinking fund clause providing that the company shall deposit semi-annually with the sinking fund trustee—five cents per ton on all coal mined; such payments shall be made to trustee during January and July of each year for the preceding six months' periods. Money so deposited is to be applied—as soon as practicable—to purchase bonds at not exceeding 115 and accrued interest; compensation and expenses of trustee is also to be paid from the sinking fund. Bonds, when redeemed, cannot be cancelled, but are to be held by trustee, who shall collect the semi-annual interest thereon and apply to the same purposes as the 5 cents per ton payments.

Bonds are dated January 1, 1906, run for 20 years, and bear interest at 6% per annum, payable January 1 and July 1, of each year.

Payments to sinking fund trustees (the General Trust Co) have been as follows:

July 27/06—	Payment for 6 mo. ended 6/30/06—5 cents per ton on 120,000 tons	$6,000.00
Jan. 24/07—	" " " " " 12/31/06—5 cents " " " 150,000 "	7,500.00
July 28/07—	" " " " " 6/30/07—5 cents " " " 180,000 "	9,000.00
	Total	$22,500.00

On January 30, 1908, the company paid to the General Trust Co. (S. F. trustee), $5,500.00 for sinking fund payment for the six months ended December 31, 1907, being 5 cents per ton on 110,000 tons.

The General Trust Co. submitted statements of receipts and disbursements for account of the sinking fund to date (Jan. 31, 1908), as follows:

CASH RECEIVED to Dec. 31/07.

July 27/06—S. F. deposit for six months ended June 30, 1906—120,000 tons at 5 cents	$6,000.00	
Jan. 5/07—Jan. 07 coupons on 5 bonds.........	150.00	
Jan. 24/07—S. F. deposit for six months ended Dec. 31, 1907—150,000 tons at 5 cents	7,500.00	
July 3/07—July 07 coupons on 12 bonds.........	360.00	
July 28/07—S. F. deposit for six months ended June 30/07—180,000 tons at 5 cents...	9,000.00	$23,010.00

CASH DISBURSEMENTS to Dec. 31/07.

Aug. 16/06—Bonds redeemed—5,000 @ 110......		$5,500.00		
Commission @ ¼%................		12.50		
Accrued interest		37.50	5,550.00	
Feb. 15/07—Bonds redeemed.				
4,000 @ 108................	$4,320.00			
2,000 @ 110..................	2,200.00			
1,000 @ 112..................	1,120.00	7,640.00		
Commission........................		17.50		
Accrued interest		52.50	7,710.00	
Aug. 12/07—Bonds redeemed.				
9,000 @ 90.................	8,100.00			
1,000 @ par.................	1,000.00	9,100.00		
Commission........................		250.00		
Accrued interest		70.00	9,420.00	
Dec. 31/07—Compensation of trustee............		100.00		
Advertising........................		50.00	150.00	22,830.00
Cash balance in hands of trustees Dec. 31/07......				180.00
Received in January, 1908, viz.:				
S. F. Deposit for six months ended Dec. 31/07—110,000 tons @ 5 cents...			5,500.00	
Jan. /08—Coupons on 22 bonds in S. F.........			660.00	
Interest allowed on balance to 12/31/08..........			100.00	6,260.00
				$6,440.00

Question.

(a) Prepare entries to properly state on the books of the Virginia Coal Co. all sinking fund transactions.

(b) Make statement of assets and liabilities as of December 31, 1907.

(c) Make statements of profit and loss for 1906 and 1907.

Partnership Accounts.

Problem 9

✓ Adams and Stevens are equal partners. On the night of July 3 their stock and fixtures were destroyed by fire. A trial balance which Adams had at his home showed the following condition of the ledger at the close of business June 30:

Adams	$ 600.00	$7,450.00
Stevens	600.00	7,450.00
Cash	3,309.00	....
Fixtures	1,500.00	....
Purchases	32,600.00	....
Sales	....	24,800.00
Notes receivable	1,000.00	....
Notes payable	....	2,000.00
Interest	120.00	50.00
Expense	780.00	....
Customers	4,500.00	....
Creditors	....	3,259.00

The property is fully covered by insurance. The insurance company, for the purpose of estimating the value of the merchandise destroyed, has agreed to allow 35% as the average gross gain on the sales, and to pay 66 2/3% on the value of fixtures as shown by the ledgers. On a basis of this agreement, state the result of the business and capital of each partner.

Problem 10

A, the senior partner of a firm, dies May 9, at the close of which day the trial balance of the co-partnership ledger shows the following items:

Cash	$ 3,794.00	......
Fixed assets	21,036.00	......
Trade debtors	92.766.00	......
Trade creditors	......	$93,206.00
Inventory, January 1	12,005.00	......
Purchases	14,160.00	......
Sales	......	19,658.00
Expenses	5,213.00	......
Capital A	......	20,000.00
Capital B	......	10,000.00
Capital C	......	5,000.00
Personal A	......	2,310.00
Personal B	750.00	......
Personal C	450.00	......
	$150,174.00	$150,174.00

The inventory of mdse. stock May 9 is computed at $15,200, the unexpired insurance at $149, and accrued expenses at $207. The division of profits between partners is as follows: A, 57%; B, 28%; C, 15%. No interest is credited on capital, but interest is credited on A personal $115, and charged to B personal $6.25, and to C personal, $3.75.

The partnership agreement provides in case of A's death for the sale of A's interest to B and C on the execution of a bond by them in favor of A's estate, payable in five yearly instalments, and stipulates that the assets are to be taken at book value, excepting ½% reserve for bad debts, in compliance with which provision a reserve of $500 is made.

A new firm of B, C, and D is formed, in which D invests $5,000 cash for a one-quarter interest in the business. B withdraws all in excess of $10,000. and C pays in a sum sufficient to bring his capital up to $5,000. The future profits are to be shared in the following stated proportions, viz., B ½, C ¼, and D ¼. The new firm executes a purchase mortgage with bond as provided in favor of A's estate for $20,000, and pays over balance of his interest in cash

Prepare the necessary accounts to give expression to the foregoing liquidation of the firm of A, B, and C, and a balance sheet of the firm of B, C, and D, as at the beginning of their enterprise.

Problem 11

X, Y and Z are partners with equal capital and share equally in the profits. After trading for three years Z wishes to retire, and Y electing to remain and purchase his share. The partnership agreement provides that the retiring partner shall receive by way of value for goodwill, a share of two years' purchase of the average of the last three years' profits preceding his retirement.

The following are the figures and you are requested to prepare a balance sheet, and profit and loss account as of June 30, 1906, and an account showing the amount due to Z from the remaining partners:

Capital account X	$ 8,000.00
Capital account Y	8,000.00
Capital account Z	8,000.00
Plant and equipment	14,840.00
Trade marks	4,500.00
Inventory, June 30, 1906	7,600.00
Inventory, July 1, 1905	4,800.00
Accounts receivable	19,400.00
Merchandise and creditors	13,402.00
Sales	55,188.00
Purchases	27,804.00
Wages and salaries	4,600.00
General expenses	1,560.00
Partners' drawing account:	
X debit balance	5,500.00
Y debit balance	5,500.00
Z debit balance	5,500.00
Cash in bank and on hand	3,974.00

The following adjustments are to be made for the year just closed. 10 per cent. depreciation on the plant and equipment; 15 per cent. on the trade marks; 10 per cent. reserve for bad and doubtful debts.

There is on the books a special reserve account to cover depreciation of the stock on hand which is of a very perishable nature. The reserve amounts to $5,388.00 and must be equitably dealt with in the dissolution of the partnership.

The previous two years' profits were $17,816.00 and $22,020.00 respectively.

Problem 12

The following balances embody the financial position of Thomas White on January 1, 1908:

Cash	$ 350.00
Notes receivable	18,000.00
Accounts receivable	92,500.00
Merchandise inventory	67,300.00
Leasehold property	10,000.00
Furniture and fixtures	2,700.00
Bank overdrafts	5,500.00
Notes payable	7,000.00
Accounts payable	61,600.00
Rent due	750.00

On that date he admits John Black to partnership with the agreement that White is to take four-sevenths and Black three-sevenths of the net profits, the latter to contribute a pro rata share of capital, which is to be deposited with the bank to the firm's credit.

During the year the following transactions take place:

Discounts are allowed to customers	$ 1,150.00
Goods are bought for	80,000.00
Rent is paid by check	2,250.00
White withdraws by check	2,500.00
Black withdraws by check	3,250.00
Wages are paid out of cash	5,500.00
Customers pay in cash	95,000.00
Sales amount to	106,000.00
Drafts are drawn on customers for	24,500.00
Customers' drafts and notes are paid at the bank	27,000.00
Creditors are paid by check	131,600.00
Creditors' bills are paid in cash	9,000.00
Cash is deposited in the bank	80,750.00
The firm accepts drafts for	10,000.00
Stock on hand December 31, 1908	70,000.00

Prepare profit and loss account, balance sheet and partners' capital accounts as on December 31, 1908, without assuming another adjustment to be necessary.

Problem 13

A, B, C and D, partners sharing profits equally, decide to dissolve partnership, and on December 31, 1908, appoint a liquidator and transfer all assets to him. He is to receive for his services 5% of the cash collected by him in the liquidation of the assets. The liquidator is also to be allowed the expenses paid by him in the liquidation of the business as follows:

Clerk hire	$1,000.00
Rent	500.00
Miscellaneous expenses	700.00

All the debts of the firm were paid and all the notes and the accounts were collected excepting $3,200 of worthless and uncollectible accounts. The furniture and fixtures brought $2,800, and the merchandise was sold for $18,000 cash. The balance payable to partners was distributed on December 31, 1908. No interest is to be figured on the partners' accounts or on the moneys in possession of the liquidator.

Prepare cash account of liquidator, statement showing expenses and losses in liquidation and statement of the partners' accounts. The balance sheet of the firm on December 31, 1908, was as follows:

Furniture and fixtures	$ 3,500.00	......
Merchandise inventory	20,500.00	......
Notes receivable	14,000.00	......
Accounts receivable	38,000.00	......
Unearned insurance premium expiring during 1908	800.00	......
Cash	7,500.00	......
Notes payable	......	$ 5,000.00
Accounts payable	......	38,740.00
Accrued interest on notes payable	......	80.00
Accrued taxes	......	480.00
A's account	......	16,000.00
B's account	......	8,000.00
C's account	......	10,000.00
D's account	......	6,000.00
Totals	$84,300.00	$84,300.00

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Problem 14

From the following trial balance of the books of James and Herbert, taken on December 31, 1907, and other information given, prepare: (a) trading account showing in concise form the gross results in each department; (b) profit and loss account; (c) balance sheet.

TRIAL BALANCE.

Cash	$ 90.00	......
Notes receivable	1,250.00	......
Accounts receivable	27,500.00	......
Furniture and fixtures	2,250.00	......
Notes payable	......	$3,600.00
Accounts payable	......	10,000.00
Inventory on January 1, 1907, Dept. A	12,500.00	......
Inventory on January 1, 1907, Dept. B	8,000.00	......
Inventory on January 1, 1907, Dept. C	9,000.00	......
Purchases, Dept. A	37,000.00	......
Purchases, Dept. B	10,500.00	......
Purchases, Dept. C	13,500.00	......
Bank overdrafts	......	2,700.00
Sales, Dept. A	......	43,500.00
Sales, Dept. B	......	13,750.00
Sales, Dept. C	......	16,500.00
Wages, Dept. A	1,750.00	......
Wages, Dept. B	750.00	......
Wages, Dept. C	950.00	......
Trade expense	1,500.00	......
Office salaries	2,250.00	......
Rent, taxes and insurance	1,300.00	......
Bad debts	430.00	......
Discounts allowed customers	630.00	......
D. James, capital account	......	25,000.00
W. Herbert, capital account	......	20,000.00
D. James, drawing account	2,400.00	......
W. Herbert, drawing account	1,500.00	......
	$135,050.00	135,050.00

The inventory of goods on hand on December 31, 1907, is as follows:

Department A	$15,000.00
Department B	9,000.00
Department C	8,000.00

During the year goods were transferred from Department A to Department B at cost price, amounting to $1,000.00; also to Department C at cost price, amounting to $750.00, neither of these transfers being through the books. Discount on customers' accounts has to be allowed 12 per cent. on the amount outstanding. A reserve of $500.00 is to be set aside for doubtful and bad debts. Depreciation at the rate of 10 per cent. is to be written off on furniture and fixtures. There is accrued rent amounting to $100.00. Each partner is entitled to interest on his capital at the rate of 4 per cent. (interest on drawings being ignored), after which the profit is to be divided in proportion to the capital as stated in the trial balance

Problem 15

A, B and C were equal partners.

In the event of the death of either of them, during the existence of the partnership, the two survivors were, in terms of the deed of partnership, to have the prior right of purchase of the deceasing partner's interest in the business, as at the date of his death, the computation of the value of said interest to be based on two years' purchase price of the average profits of the last three years in the date of his death.

The accounts were kept by single-entry, and were made up half yearly, to June 30th and December 31st; and the statement of affairs was signed by each of the partners, as acknowledging their agreement as to the profits shown thereby to have been earned during each of these fiscal periods, respectively.

The profits of the half-years to June 30th, 1905, were, as acknowledged by the three partners, as follows:

To December 31, 1902	$14,320.00
" June 30, 1903	16,089.50
" December 31, 1903	14,200.50
" June 30, 1904	18,006.50
" December 31, 1904	13,453.50
" June 30, 1905	20,500.00

A died on October 31, 1905, and it is agreed that his partnership ceased as at that date, and that the partnership then had as assets:

Good book debts	$41,995.00
Furniture and fixtures, worth	3,600.00
Cash in bank and office	9,450.00
And liabilities, amounting, in all, to	3,250.00

A's capital account showed at the same time $20,000.00 to his credit, and his personal account a debit of $2,165.00 (the latter forming part of the assets of $41,995.00 for good book debts).

The profits for the half-year during which A died were ascertained at the next usual fiscal term, viz., December 31, 1905, when they were shown by B and C to be $26,380.00; and the administrator of A's estate is satisfied as to its correctness.

Make statement showing amount A's estate is entitled to receive from B and C, without reckoning any interest on the balances of either of the partners' capital or personal accounts.

Problem 16

A, the party of the first part, enters, March 1, on the performance of a contract for $50,000, payable in two instalments of $25,000 each, the first of which is due on completion of a specific part of the work, but subject to 10% to be retained by the party of the second part as security for the continuation of the undertaking; the second, together with the security retained as aforesaid, is to be paid on final acceptance of the completed work.

A has a capital of $4,000 available for payment of labor, which proves insufficient. He therefore takes in as associates on April 1 B, who contributes $3,000, and C who contributes $1,000, B and C to share profits in the proportions of 3/8 and 1/8 respectively, and to receive interest on capital at 6% per annum.

The first installment on the contract falls due and is paid on May 1, at which date there had been expended by the contractors for labor and incidentals $7,502, and obligations for materials and supplies furnished on credit had been incurred and were outstanding to the amount of $13,900, of which all but $1,500 are forthwith settled from the installment money.

On receipt of the first installment, B and C withdraw their capital and realize the profits earned at the completion of the first stage of the work, leaving A to continue alone, it being carefully estimated and mutually conceded that a further outlay of $26,158 will be sufficient to finish the work and cover all reasonable contingencies.

Show by skeleton ledger accounts the cash payable by A to B and C respectively on their withdrawal from the partnership, and state the resources and obligations that remain to A on entering on the second part of the work.

Problem 17

Harvey French and Andres Deyo were partners in the business of manufacturing lathes, sharing profits equally. Deyo was the financial man having charge of the books and accounts; French had invented the lathe and knew the practical part of the business. On January 1, 1899, Deyo retired from the concern. The capital accounts of the two partners on that date stood: French, $15,000.00, and Deyo, $16,000.00. French agrees to pay Deyo for his half interest in the business the sum of $20,000.00. Of this amount $5,000.00 was paid in cash (from the funds of the firm) and for the remainder Deyo accepted French's note, which was secured by a mortgage on French's dwelling house. Because of French's lack of knowledge regarding accounts, the cash payment alone appeared on his books.

French conducts the business himself for five years. He was not aware of the fact that Deyo had regularly depreciated machinery 10 per cent. per year (on the reducing basis) and failed to take depreciation into consideration when closing his books. The profit and loss account on his books shows profits for these five years to have been $5,000.00, $5,300.00, $6,750.00, $8,500.00, and $10,000.00. French has withdrawn over and above salary $16,250.00.

Elmer Savage, a friend of French, also a practical machinist, has come into possession of a large inheritance. He knows the flourishing condition of French's business and wishes to buy a half interest. The premises which French has been occupying were poorly adapted to the needs of the business. They both are of the opinion that a modern factory building would very materially reduce the cost of production, and also facilitate prompt delivery. They agree that the goodwill is worth three times the average profits for the last five years. Savage is to obtain a half interest in the business and goodwill, by investing cash equal to the capital account of French on January 1, 1904, also cash equal to half the goodwill.

French's bookkeeper, on January 1, 1904, makes up the following statement:

Cash, $150.00; machinery, $45,000.00; accounts receivable, $14,000.00; finished lathes (20) costing $500.00 each, selling price, $750.00; half finished lathes (10) costing $325 each; stock of bar iron, castings, wheels, extras, and other supplies, $3,500.00; with liabilities in the shape of accounts and bills payable amounting to $30,000.00.

The above figures do not take into consideration depreciation on machinery. French has bought machinery for the plant during the five years as follows: $3,000.00, $3,500.00, $4,000.00, $4,500.00, $5,000.00 respectively.

It is desired to place the full value of the goodwill account on the books. Savage is admitted as of January 1, 1904, on the above terms and according to the figures given above.

Show the entries necessary to give effect to the wishes of the partners.

On March 1, the Garvin Machine Company instructs French to deliver two machines which French had been holding for shipping instructions since September, 1903. The bookkeeper then awakes to the fact that these had been charged on his books in September 20, 1903; that he had overlooked this charge and had included them in his inventory. The partners agree to make the correct adjustment at the end of the year. Being, however, unable to arrive at an agreement at that time they call in an accountant, who finds the following facts recorded on their books:

Cash, $1,000.00; machinery, $50,000.00; building and real estate, $40,000.00; accounts receivable good, $9,000.00; sales, $122,480.00; purchases from January 1 to date, $50,000.00; wages, $36,000.00; rent, $3,000.00; manufacturing expenses, $10,000.00; selling and administrative expense, $6,000.00; accounts payable, $4,000.00; expense of moving machinery, $7,375.00; goodwill, (?); French capital account, (?); Savage capital account, (?); stock on hand, five finished lathes at $500.00 cost; 14 half finished at $325.00, and raw material and supplies amounting to $8,000.00.

While moving the machinery from the old building to the new factory it was necessary to work overtime in order to get out lathes to fill orders for customers, for which wages were paid at the rate of time and a half. The amount of such overtime was $9,000.00, and is included in the $36,000.00 mentioned above.

Both partners are fair-minded; neither desires to obtain an advantage over the other. Both agree on a depreciation from January 1, 1899, at the rate of 10 per cent. on the reducing basis; also agreeing that a contribution shall be made by the partner having the lesser capital to bring his interest up to that of the other, also that in distributing the profis for the present year an allowance of six per cent. interest on excessive capital invested during the past year shall be made.

Make a statement to be given to the partners and show on this statement the amount necessary to be contributed, also the division of profit for 1904, and make any correcting entries you think necessary.

Problem 18

A is a manufacturer of carpets, and his balance sheet at a certain date shows as follows:

ASSETS.

Cash in bank	$ 815.00
Real estate, appraised value	20,000.00
Machinery, after 10% depreciation	40,000.00
Book accounts, receivable	7,227.50
Inventory, stock finished	11,000.00
Inventory, stock in looms	850.00
Inventory, raw material and supplies	107.50
	$80,000.00

LIABILITIES.

Bills payable	$22,000.00
Book accounts payable	28,000.00

He agrees with B to sell him one-half interest in the business for the sum of twenty thousand dollars, to be contributed to new firm, the new firm to take the assets of A, with the exception of the real estate, and assume all the liabilities, and that the goodwill of the business of A should be rated at $20,000.00 in the new firm books. It was discovered shortly after the commencement of business of the new firm that the inventory of finished stock was incorrect, and that the value should have been stated at $8,500.00, instead of $11,000.00, and that of the book accounts receivable, only $6,227.50 were collectible, one of the debtors, owing $1,000.00, having failed and absconded, leaving no assets, previous to the formation of the co-partnership, which fact was known to A, and his bookkeeper had been instructed to charge off the account but failed to do so. No correction was made of these discrepancies. The trial balance at the end of one year's business showed as follows:

A capital account	......	$25,000.00
B capital account	......	25,000.00
A personal account	$ 3,000.00	......
B personal account	3,000.00	......
Merchandise	......	78,000.00
Book accounts receivable	15,400.00	......
Expense	1,500.00	......
Machinery	40,000.00	......
Manufacturing expense	22,000.00	......
Wages	44,000.00	......
Rent	1,500.00	......
Profit and loss	600.00	......
Book accounts payable	......	45,000.00
Cash	22,000.00	......
Goodwill	20,000.00	......
	$173,000.00	$173,000.00

The inventory at close of year footed up:

Finished stock	$28,000.00	
Stock in looms	1,500.00	
Raw material and supplies	1,500.00	$31,000.00

No amount has been charged off for depreciation of machinery, which should be 10%.

Make proper entries to correct books, and formulate balance sheet showing the standing of the firm, and give reason for any correction that may be made.

Corporation Accounts.

Problem 19

Charles and Robert Wilson are copartners in a manufacturing business trading under the firm name of Wilson Brothers. Following is a statement of the firm's financial condition, December 31, 1900:

Real estate and buildings	$165,000.00	Notes payable	$4,000.00	
Machinery and fixtures	39,000.00		2,000.00	$6,000.00
Horses, trucks and harness	4,500.00			
Patents	1,500.00	Accounts payable		
Stocks and materials	20,000.00		$10,000.00	
Notes and loans receivable	5,000.00		10,000.00	
Accounts receivable	15,000.00		10,000.00	
			4,000.00	34,000.00
		Chas. Wilson		150,000.00
		Robert Wilson		60,000.00
	$250,000.00			$250,000.00

A joint stock company under the corporate title of Wilson & Wilson, incorporated, is organized with a capital of $300,000.00, of which $60,000.00 is 8% cumulative preferred stock, and $240,000.00 common stock (both $100.00 par value), to acquire and conduct the business of Wilson Bros. Charles and Robert Wilson and Henry Miller each subscribe for $10,000.00 of common stock. The company votes to acquire the interest of C. and R. Wilson in the business, real estate, plant, and outstanding accounts, etc., of Wilson Bros., and to assume the firm's indebtedness of $40,000.00 in consideration of the sum of $210,000.00, and to pay therefor 2,100 shares of the common stock of the corporation, 1,500 shares to be issued in the name of Charles Wilson, and 600 shares in the name of Robert Wilson. The company votes to place a mortgage on its real estate and plant for $50,000.00 to secure an issue of $50,000.00 first mortgage 5% gold bonds of the denomination of $1,000.00 each. The creditors subscribe for preferred stock to the amount of 50% of the amounts due to them and take bonds at par for the remainder.

Make all entries for the foregoing transactions in the order of their occurrence, giving the details to be found in ledgers and all subsidiary books of account.

Problem 20

Several manufacturers consolidate their interests and organize the Consolidated Manufacturing Company, with an authorized capital stock of $1,000,000.00, divided into 5,000 shares of common stock, and 5,000 shares of preferred stock at $100.00 each par value.

The manufacturers sell to the company all of their assets subject to floating debts of $115,000.00, divided into notes payable $65,000.00, and accounts payable $50,000.00, for the sum of $1,000,000.00, payable $1,000.00 in cash, $499,000.00 in common stock, and $500,000.00 in preferred stock. The company agrees to pay the debts of $115,000.00. The active assets acquired are inventoried by the Consolidated Manufacturing Company as follows: real estate, $175,000.00; machinery, $200,000.00; and merchandise, $155,000.00.

The patents and goodwill were inventoried at a sum equal to the difference between the net cost to the company of the assets acquired, and the above valuations of the active assets.

The company received $1,000.00 cash for 10 shares of common stock, and for the purpose of providing funds for working capital authorized an issue of bonds amounting to $300,000.00, of which $200,000.00 were immediately sold as follows: $100,000.00 for cash at 8%, and $100,000.00 for cash at par with a bonus of common stock amounting to $100,000.00.

For the purpose of providing common stock to be given as a bonus the manufacturers donated $200,000.00 of common stock to the treasury of the company.

Prepare the journal and the cash entries for the company, covering all of the above transactions, and prepare a balance sheet of the company.

Problem 21

From the accompanying trial balance of the books of B company, iron manufacturers, prepare such statements as are necessary to show the value of its capital stock.

The inventory at the end of the period is

Material	$ 1,266.00
Orders in process	15,369.00
	$16,635.00

Make such provision for depreciation as you think proper. The stock in the show room consisting of ornamental iron and bronze work has not deteriorated. The drawing and models represent two years' outlay, all of which is carried as assets, but they have no reliable value. Factory alterations and improvements are to be spread over a period of ten years represented by the lease of the factory.

TRIAL BALANCE AT END OF PERIOD.

Inventory		$ 4,328.91	......
Purchases		13,852.33	......
Wages		9,499.19	......
Factory expense		242.11	......
Sales		......	$15,794.79
Cash discounts received on purchases		......	417.41
Allowances		195.34	......
Rent		300.00	......
General expense		312.87	......
Insurance		354.54	......
Commission		45.00	......
Cartage on deliveries		166.09	......
Salaries		3,031.49	......
Cash		49.91	......
Bank		2,651.73	......
Accounts receivable, good		5,336.29	......
Accounts receivable, doubtful		2,211.97	......
Deposits on contracts		500.00	......
Loans good		4,408.13	......
Show room stock		1,812.50	......
Plant machinery		4,399.78	......
Tools		2,325.66	......
Drawings		311.66	......
Models		2,107.55	......
Office furniture and fixtures		759.29	......
Factory alterations and improvements		852.59	......
Notes payable		......	14,550.00
Capital stock authorized	$25,000.00		
Capital stock unissued	10,000.00		
			15,000.00
Surplus			14,292.73
		$60,054.93	$60,054.93

Problem 22

The Great Northern Manufacturing Company was incorporated under the laws of the State of New Jersey, February 1, 1899, with a capital stock of $10,000,000.00, consisting of $4,500,000.00 (45,000 shares of $100 each) preferred 7% non-cumulative stock, and $5,500,000.00 (55,000 shares of $100.00 each) of common stock. On the same date $2,000.00 of the common stock was subscribed for at par as follows:

By John Smith, 2 shares	$200.00
By Henry Brown, 4 shares	400.00
By John Doe, 4 shares	400.00
By Henry Rodman, 3 shares	300.00
By Wm. Rodman ,7 shares	700.00
Total	$2,000.00

On February 4, 1899, these subscribers paid in to the company the amount of their subscriptions, and stock was issued to them. On February 15, the balance of the authorized capital stock of the company, both preferred and common, was issued by resolution of the board of directors, to John M. Scott, for and in consideration of $750,000 in cash and 12 manufacturing plants. An inventory of the property purchased, made by authorized representatives of the company, resulted in the following appraised valuations on the various plants and the stocks on hand:

FACTORIES.	Materials and supplies.	Merchandise.	Real Estate.	Buildings.	Tools, machinery, etc.
A.	$430,000.00	95,000.00	$195,000.00	$20,000.00	$98,000.00
B.	211,000.00	44,000.00	130,000.00	10,000.00	84,000.00
C.	495,000.00	38,500.00	475,000.00	11,000.00	62,000.00
D.	304,000.00	15,000.00	924,000.00	13,000.00	48,000.00
E.	171,000.00	32,750.00	184,000.00	14,500.00	89,000.00
F.	86,500.00	81,000.00	60,000.00	17,750.00	26,000.00
G.	47,250.00	44,000.00	30,000.00	32,500.00	34,000.00
H.	98,000.00	35,750.00	20,000.00	14,600.00	62,000.00
I.	101,250.00	11,000.00	10,000.00	17,200.00	11,000.00
J.	37,000.00	13,000.00	11,000.00	19,200.00	35,000.00
K.	346,000.00	49,000.00	14,000.00	75,000.00	71,000.00
L.	121,000.00	67,000.00	37,000.00	34,750.00	44,000.00
Totals.	$2,448,000.00	$526,000.00	$2,090,000.00	$279,500.00	$664,000.00

Open the accounts of the company so that the result of the operation of each factory will be known at the end of the company's fiscal year. The books of the company are not to show the appraised valuation placed on the real estate buildings, tools, machinery, etc., by factories, but in one amount only; and it is desired that the account include any expenditure incurred by the company for goodwill, etc.

Make opening entries in cash book, journal and ledger, covering in full the above transactions.

Problem 23

The Smith Brewing Company with $1,000,000.00 capital stock, the Young Brewing Company with $500,000.00 capital stock, and the Star Brewing Company with $400,000.00 capital stock, agreed to consolidate as the Universal Brewing Corporation, the new company to buy all the properties of the old companies at a valuation to be fixed by appraisal, payment therefor to be made in full paid stock of the new company, the old companies to pay off their own indebtedness. The appraised values of the old companies are as follows:

	Smith	Young	Star
Real estate and buildings	$680,000.00	$327,000.00	$126,000.00
Plant	390,000.00	160,000.00	71,000.00
Cash	15,000.00	3,000.00	1,000.00
Bills receivable	10,000.00	6,000.00	......
Horses, wagons and harness	4,000.00	3,000.00	1,500.00
Office furniture	1,000.00	1,000.00	500.00
	$1,100,000.00	$500,000.00	$200,000.00

TOTALS.

Smith	$1,100.000.00
Young	500.000.00
Star	200,000.00
Total appraised value	$1,800,000.00

On the valuation, the Universal Brewing Corporation issued $2,000,000.00 of stock, shares $100.00 each, which was divided pro rata among the old companies on the basis of their appraised value, no fractional shares of stock to be issued, odd amounts to be paid old companies in cash

Give journal entries necessary to set up property accounts and credit old companies with their pro rata on books of the new company.

At the time of consolidation the ledger accounts of the Star Brewery were as follows:

Real estate and buildings	$250,000.00	Capital stock	$400,000.00
Plant	247,000.00	Bills payable	50,000.00
Cash	1,000.00	Accounts payable	51,000.00
Horses, wagons & harness	1,800.00		
Office furniture	1,200.00		
	$501,000.00		$501,000.00

Make the proper journal entries to liquidate in stock of the new company the liabilities other than capital stock, to apportion the remaining stock and cash, and to close the books of the Star brewery.

Problem 24

A corporation is formed with a capital stock of $500,000.00 (of which $200,000.00 is preferred, and $300,000.00 is common stock), to acquire and consolidate three existing corporations designated as A, B, and C, and having the following status respectively:

	Accounts	Liabilities	Surplus	Deficit	Capital
A.	$171,000.00	$56,000.00	$15,000.00	....	$100,000.00
B.	165,000.00	80,000.00	....	$5,000.00	90,000.00
C.	108,000.00	47,000.00	6,000.00	....	55,000.00
	$444,000.00	$183,000.00	$21,000.00	$5,000.00	$245,000.00

The several vendor companies contract with the promoter to sell their assets, excluding cash funds as above stated, and including goodwill, at the following prices respectively, viz.: A, $125,000.00; B, $100,000.00; C, $75,000.00, payable one-half in cash and one-half in preferred stock to be issued therefor by the new company, which is also to assume all outstanding obligations.

The promoter or vendor contracts with the new or vendee company to acquire the several properties subject to the liabilities as stated, and to provide an additional working capital of $100,000.00 cash, and to take in payment therefor the entire authorized capital stock of the new company, out of which the subscribing incorporators and directors will acquire their stock by purchase from the underwriterss.

The common stock is underwritten by bankers at 80%, with bonus of one share of preferred to each 10 shares of common stock. The bankers are also to take an additional $10,000.00 of preferred stock at par, as part of their agreement.

(a) Frame the opening entries and balance sheet of the vendee company, showing the costs respectively of assets, goodwill and organization expenses on the assumption that the terms of the several contracts are known to all the parties concerned and form the basis of the initial values established.

(b) Frame closing entries of "A" company, showing cancellation of stock and distribution of proceeds of sale among stockholders.

(c) Show promoter's compensation or profit for effecting the consolidation.

Problem 25

A railroad company has the following capitalization:

	Shares
Capital stock outstanding (par value $100.00)	92,438
Capital stock issued and in treasury	6,439
Capital stock unissued	1,123
Total authorized	100,000

The directors declare a dividend of 10% payable in the stock of the corporation, and the resolution authorizes the officers of the company to use the treasury stock and unissued stock for that purpose, and directs them to purchase on the open market as much more stock as may be required for distribution. How much stock must be purchased for this purpose so that when the distribution is completed all the stock shall be outstanding and none shall remain in the treasury? Scrip is to be issued for fractional parts of a share.

Problem 26

A B acquires all the shares of the capital stock of the Vendor Water Company, and in order to reorganize it forms the Purchaser Water Company, with an authorized capital stock of $1,000,000.00, divided into $500,000.00 common, and $500,000.00 preferred stock. Bonds amounting to $1,000,000.00 are also authorized by the Purchaser Company. A contract is executed between A B individually and the Vendor Water Company by which the latter, for a cash consideration, transfers to A B all its property subject to its existing debts. A B then sells the property acquired from the Vendor Water Company to the Purchaser Water Company for the sum of $1,999,000.00, payable $1,000,000.00 in bonds, $500,000.00 in preferred stock and $499,000.00 in common stock of the Purchaser Water Company. The Purchaser Company also agrees to pay all the existing debts of the Vendor Company. The board of directors of the Purchaser Company appraises the acquired plant at a valuation equal to the difference betwen the sum paid for the total assets of the old company plus liabilities assumed and the value of the assets acquired exclusive of the plant. The Purchaser Company receives in its treasury $1,000.00 cash from A B for 10 shares of stock issued.

Frame the opening journal and cash book entries of the Purchaser Water Company, and prepare the balance sheet of the Purchaser Company from the entries.

The balance sheet of the Vendor Company on the date of the transfer was as follows:

ASSETS.

Plant	$1,253,000.00	
Cash	17,000.00	
Notes receivable	6,000.00	
Accounts receivable	85,000.00	
Materials in stock	35,000.00	
Unexpired insurance	1,000.00	
Interest paid in advance on notes payable	3,000.00	
Trust company (deposit to pay coupons)	250.00	
Stocks of other companies	80,000.00	
Total assets	$1,480,250.00	
Deficit	3,848.00	
Total		$1,484,098.00

CAPITAL STOCK AND LIABILITIES.

Capital stock	$1,000,000.00	
Bonds	200,000.00	
Notes payable	150,000.00	
Accounts payable	70,000.00	
Meter deposits	1,848.00	
Accrued interest on bonds	5,000.00	
Coupons payable	250.00	
Reserve for bad debts	7,000.00	
Reserve for depreciation of plant	50,000.00	
Total		$1,484,098.00

Problem 27

A company is incorporated for the purpose of acquiring and operating the plants and goodwill of three previously independent concerns, the authorized capital being $1,000,000.00, half of which is common stock and half preferred stock. The total stock and $100,000.00 are issued to the vendor, in payment of the several properties acquired through him.

The vendor disposes of $200,000.00 of preferred stock to bankers at par with a bonus of one share of common stock for each two shares of preferred stock, and he also sells $400,000.00 of common stock at 50 per cent.

The prices paid by the vendor for the three plants acquired are 1, $100,000.00, 2, $200,000.00, and 3, $300,000.00, each of which is payable one-half in preferred stock and one-half in cash.

The properties are found to be in a "run down" condition, and the company expends during the first year $75,000.00 in renewals and repairs to bring the plant to a state of efficiency, all of which is charged to revenue.

On a review of the accounts it appears that only $15,000.00 of said outlay was for replacement of current wear and tear, and $60,000.00 is accordingly transferred to the plant account in the proportion of 1, $30,000.00, 2, $20,000.00, and 3, $10,000.00.

For the purpose of determining and separately stating the intrinsic plant values and goodwill after the additional outlay, the properties were appraised under four general divisions, and the results of the appraisement were as follows:

	I.	II.	III.
A.	$25,000.00	$60,000.00	$85,000.00
B.	75,000.00	100,000.00	175,000.00
C.	2,000.00	5,000.00	7,000.00
D.	8,000.00	18,000.00	25,000.00
	$110,000.00	$183,000.00	$292,000.00

Frame the journal entries necessary to open the books of the company in accordance with the above statement.

Problem 28

The composition of the values of the books of the three old companies absorbed by the new company as stated in previous question, were:

ASSETS.

	I.	II.	III.
Property sold.	$80,000.00	$163,000.00	$282,000.00
Books accounts not sold.	1,000.00	3,000.00	5,000.00
	$81,000.00	$166,000.00	$287,000.00

LIABILITIES.

	I.	II.	III.
Bills and accounts settled by old company.	$49,000.00	$100,000.00	$189,000.00
Undivided profits.	2,000.00	6,000.00	8,000.00
Capital stock. . . . , ...	30,000.00	60,000.00	90,000.00
	$81,000.00	$166,000.00	$287,000.00

Frame the journal entries for closing the books of the old companies according to the above stated values.

Problem 29

The Phoenix Telephone Company found it necessary to increase its plant to accommodate 5,000 subscribers. Arrangements were made for the necessary additions and 1,000 of first mortgage 6% 50 year gold bonds were issued. A clause in the mortgage stipulated that a sum equal to 2% of the total bond issue should be set aside annually out of the profits of the company for the redemption of such bonds. The average annual cost of maintaining and operating was found to be $27.50 per telephone, and $30.000.00 was estimated for other expenses. January 1, 1900, 4,000 telephones were in use and the contractors agreed to complete their work at the rate of 250 telephones per quarter. What annual rental per telephone would the company have to charge in order to meet its obligations and to pay a dividend of 5% on $1,000,000.00 of its stock?

Miscellaneous Accounts.

Problem 30

Two printing and stationery houses decided to combine their businesses for the purpose of reducing expenses. An accountant is called in to examine the books of each company and to report upon the financial condition of each and also upon the past profits. Owing to the fact that corporation A has never separated its purchases as between its retail and its manufacturing department, he finds it impossible to prepare a combined profit and loss account showing the gross profit of the retail departments and the manufacturing departments of each company. The following statement, however, exhibits a summary of their combined trading accounts.

Total sales	......	$372,000.00
Cost of material in goods sold	$185,000.00	......
Manufacturing labor	64,000.00	294,000.00
Gross profit		$123,000.00
Less total expenses		93,000.00
Net profit		$30,000.00

The amalgamation is effected, and after carrying on the business for twelve months an inventory is taken and the books closed. It is found that instead of realizing a profit of $30,000.00, they have only made a profit of $14,000.00.

An analysis of the various accounts, made by their accountant, showed the following summarized statement:

RETAIL DEPARTMENT.

Total sales		$176.000.00	
Less cost of merchandise		119,000.00	
Gross profits retail department			$57,000.00

MANUFACTURING DEPARTMENT.

Total sales		$181,000.00	
Less cost of material in merchandise	$64,000.00		
Less cost of manufacturing labor	63,000.00		
		127,000.00	
Gross profits manufacturing department			54,000.00
			$111,000.00
Less expenses			97,000.00
			$14,000.00

As a basis of comparison with the former year's results, the percentages of corporation B in respect to their retail department and manufacturing department, may be accepted as applying to the whole of that year's results of the combined companies. These percentages were as follows:

RETAIL DEPARTMENT.

Sales	100.0%
Cost of merchandise	70.5%
Gross profit	29.5%
	100.0%

MANUFACTURING DEPARTMENT.

Sales	100.0%
Cost of material in merchandise	30.0%
Cost of manufacturing labor	35.5%
	65.5%
Gross profit	34.5%

From the above information work out by percentages and show the causes affecting the reduction in profits from $30,000.00 to $14,000.00.

Problem 31

A syndicate formed for the purpose of acquiring controlling interest in several manufacturing companies, had pooled the sum of $1,200,000.00, and the securities purchased therewith had been placed in the hands of a trustee. A company was organized with a subscribed capital of $5,000,000.00 (shares $100.00 each), of which $2,000 was paid in cash.

By the terms of an agreement entered into between the company and the trustee, 49,980 shares of stock were to be issued to him for all the securities held by him, and $624,375.00 in cash was to be paid by him to the company, provision being made, however, that in case the trustee failed to pay the required amount in cash, he was to turn back to the company 3 1/5 shares of stock for each $100.00 that he failed to pay. The trustee, being unable to pay any cash, returned stock in lieu thereof, as provided.

The company then offered the members of the syndicate $3,000.00 in securities at par and 25 shares of stock for each $3,000 contributed to a second pool of $1,200,000.00. This offer was accepted, and half of the second pool paid in, securities and cash being issued as agreed.

Make entries for the books of the company which will give proper expression to the foregoing transactions. Prepare a balance sheet.

Problem 32

An issue of $250,000.00 fifty-year bonds, dated July 1, 1904, is redeemable by a sinking fund into which annual cash installments are to be paid by deposit of funds in a trust company which allows interest at the rate of 2% per annum, credited January 1 and July 1. Separate books are to be kept solely for recording the sinking fund operations. The fund so created is to be invested in interest-bearing securities and the income therefrom is to be applied to the reduction of the succeeding annual instalments.

On July 1, 1905, the first installment of $5,000.00 was paid into the fund, and on the same day the following investments therefor were made:

Two 5% bonds of $1,000.00 each, April 1 and October 1, at par and accrued interest.

Two 6% bonds of $1,000.00 each, May 1 and November 1, at $110.00 and accrued interest.

On July 1, 1906, the second instalment was duly deposited to the credit of the fund, and on the same day the 5% bonds purchased in the previous year were sold at 101 and accrued interest, and other investments were purchased as follows:

Two 6% bonds of the same issue as those purchased in the previous year at 105 and accrued interest.

Five 4% bonds of $1,000.00 each, February 1 and August 1, at 98 and accrued interest.

The income from all investments was regularly received and deposited, and the value of the 6% bonds purchased in 1905 was written down to conform to the value of the bonds of the same issue purchased in 1906 at the time of said latter purchase.

Frame journal entries and write up the sinking fund ledger accounts showing the amount of the cash installments, payable on both July 1, 1906, and July 1, 1907, and the status of the sinking fund at said dates.

Problem 33

A land company owns a number of city lots, the price of each of which is fixed by schedule, and offers them for sale under three distinct plans:

(a) A cash payment of 25 per cent. of the price, and 75 per cent. in five years, mortgage at 8 per cent. interest payable half yearly.

(b) A cash payment of 10 per cent. of the price in exchange for which a bond for title is given, providing that the purchaser shall make monthly payments, that unpaid balances shall be subject to interest at 8 per cent. per annum, payable half yearly, and that title shall be given when purchase price and interest are paid.

(c) To the purchase price is added an amount calculated to represent the interest, the sum of these is then divided by 120, and bond for title is given providing for payment of the sum in 120 equal payments; on these being made deed is to be executed.

Outline the entries for each transaction, especially those relating to the interest.

Problem 34

Highland county undertakes two public improvements, viz., a road estimated to cost $50,000.00, and a sewer estimated to cost $40,000.00.

The work is to be paid for out of proceeds of county bonds falling due at various dates and redeemable from assessments levied against property presumably benefited, to the amount of the actual cost of the work and incidental charges when these are determined.

Bonds to the above amounts are accordingly sold, realizing a premium of 1%, which is added to the respective funds; the cost of the two undertakings when completed is $50,000.00, and $40,500.00 respectively, for which assessments are accordingly levied.

Assessments are subsequently collected as follows: for roads, $30,200.00, with accrued interest of $1,310.00; for sewers, $29,400.00. with accrued interest of $1,250.00. The interest in each case goes into the related funds.

Road bonds of the par value of $20,000.00, and sewer bonds of the par value of $15,000.00 mature and are redeemed.

Frame journal entries, post to ledger accounts, and prepare a trial balance from which the status of the county debt and of the funds and assessments at the conclusion of the above transactions can be ascertained and determined.

Problem 35

A New York company doing business in London received the following trial balance from its London office at the end of a fiscal year:

TRIAL BALANCE—LONDON BOOKS.

Plant	£100,000	....
Accounts receivable	75,000	....
Accounts payable		£ 35,000
Expenses	10,000	....
Income		100,000
Merchandise	20,000	....
New York office account		135,000
Remittance account	60,000	....
Cash	5,000	....
	£270,000	£270,000

The New York books showed as follows:

TRIAL BALANCE—NEW YORK BOOKS.

Capital stock	....	$1,000.000.00
Patents	$600.000.00	....
London office account	656,100.00	....
Remittance account	....	291,712.50
Expenses	10,000.00	....
Cash	25,612.50	....
	$1,291,712.50	$1,291,712.50

The remittance account consisted of four 60-day drafts on London for £15,000 each, which were sold in New York at 4.85½, 4.86, 4.86½ and 4.86¾ respectively.

Make such journal entries as are necessary to incorporate with the New York accounts the results of the year's business in London (conversion to be made at the average rate of exchange of the four remittances), and establish the new balance of London office accounts so that it will agree with the London books when converted into sterling at 4.87¼, the rate of exchange ruling on the last day of the year. Show also trial balance of the New York books after closing.

Problem 36

The trustees of an estate of $250,000 make the following investments and collect the income:

PURCHASES.

February 2, 100 shares D. Q. stock, par $100.00 each, at $109.50.

March 5, 10 S. P. bonds, maturing 1950, $1,000.00 each, 6% January 1 and July 1, at $1,010.00 and accrued interest.

April 10, bond and mortgage for $5,000.00, maturing 1912; interest 5% April 1 and October 1.

October 6, 10 S. P. bonds maturing 1950, $1,000.00 each, 6% January 1 and July 1, at $1,020.00 and accrued interest.

SALES.

October 5, 100 shares of D. Q. stock, par $100.00 each, at $110.00.

The D. Q. stock pays quarterly dividends as follows:

April 1, 1¼%; July 1, 1½%; October 1, 2%. These dividends are received respectively on April 3, July 5, and October 3.

The interest on S. P. bonds is received July 2, and the interest on the bond and mortgage for 5 months and 20 days is received on the date due.

On April 10 the trustees borrow from the bank $1,100.00 on collateral note and repay the loan October 10, with interest at 6% per annum.

Prepare cash account, principal and income accounts of each security, interest, and dividend account, and trial balance as of October 10.

Problem 37

G and B have been in the commission business for ten years. Their books have been kept in a haphazard fashion.

The following memorandum shows their financial condition January 1, 1904:

G's drawings for ten years	$15,750.00
B's drawings for ten years	5,300.00
Sundry creditors' accounts	4,300.00
G's capital invested	350.00
B's capital invested	350.00
Customers' accounts	182,000.00
Commission sales, unaccounted for, average date, December 1st	28,000.00
Freight on consignments received, average date, December 16th	4,300.00
Cartage on consignments received, average date, December 16th	475.00
Inventory January 1, 1904	17,250.00
Horses, wagons and harness	3,500.00
Rent accrued, not due	250.00
Loan payable (bank)	25,000.00
Interest on loans, accrued, not due	300.00
Furniture and fixtures	3,500.00
Cash	42,730.00
Consignor's drafts accepted against shipments to arrive	52,273.00
Unexpired insurance	42.00
Cash advanced to shippers	4,000.00
Interest accrued on cash advanced	72.00
Due from shippers (overdraft)	710.00

G is entitled to a salary of $5,000.00 per annum for ten years. Profits and losses to be divided in the proportion of 60% to G and 40% to B.

With these facts before you open a set of double entry books and furnish a balance sheet and profit and loss account on a 5% commission basis. Interest calculated at 6%. Raise all the ledger accounts.

Problem 38

On July 9, 1907, Smash, Slump & Company, bankers, buy from the Atlantic Ocean Bridge Company its first 5% 50-year gold bonds dated July 1, 1907. Interest payable semi-annually, amounting to $10,000,00 at 90% and interest, with a bonus of 50% in common stock of the Atlantic Ocean Bridge Company.

On the same date the bankers form a syndicate for one year to take the bonds at 92½% and interest with the common stock as a bonus. They make no charge for expenses. The syndicate is formed as follows.

Jones & Co............................	take	$1,750,000.00	as a	participation
Smith Brothers	"	6,000,000.00	"	"
Rieders & Company.....................	"	1,250,000.00	"	"
Smash, Slump & Company..............	"	1,000,000.00	"	"

On the same date the bankers pay the Atlantic Ocean Bridge Company the total amount due it for the $10,000,000.00 of bonds, and carry the syndicate, the members of which make no payments to the bankers.

On February 1, 1908, $6,000,000.00 of bonds are sold on the Stock Exchange at an average price of 95% less ⅛% commission.

On April 1, 1908, $1,000,000.00 of bonds are sold on the Stock Exchange at an average price of 94% less ⅛% commission.

Prepare statement as follows, showing the bankers' and participants' accounts as they should appear on the bankers' books at the close of the syndicate.

A. Statement showing bankers' account for the purchase of the securities, including transfers to syndicate account, and profit thereon.

B. Statement of each of the syndicates members' accounts as they should appear on the books of the bankers July 9, 1908.

C. Statement showing the transactions and profit and loss on the bankers' own participation account, assuming that the bonds are selling at 92½%.

In making up the statements no account need be taken of the coupons paid by the Atlantic Ocean Bridge Company, nor of any interest charges by the bankers to the participants' accounts, or to its own participation account, as it may be assumed that the cash received for the coupons by the bankers will be sufficient to reimburse them for their advances to July 9, 1908.

Problem 39

The New York Steamship Company issued income debentures for $500,000.00, the deed of trust providing that an amount equal to 5% of the total issue be set aside out of earnings of the company each year for the retirement of the bonds.

December 31, 1900, the assets of the company amounted to $1,200,000.00, the capital stock to $500,000.00, other liabilities $100,000.00, profits for the year $70,000.00.

The company received $30,000.00 from the government for transportation of troops during the war, which amount did not appear on the books as an asset, the cost of transportation having been charged to profit and loss account in prior years.

Explain by journal entries, (a) how the redemption fund for the retirement of the income debentures should be treated; (b) how the income of $30,000.00 for transportation should be treated in order to show its availability for distribution among the debenture holders, without interfering with a correct showing of the earnings of the company.

Problem 40

Bowling, Green & Co. of New York, consign goods to A & B in Havana, Cuba, rendering with each shipment a pro forma invoice, in which the goods are charged at prices in excess of the cost, the cost of freight, insurance, etc., being added. Accounts sales are received from time to time, the net proceeds being remitted by drafts.

Show how the following transactions would appear in Bowling, Green & Co.'s ledger:

(a) Shipment of goods January 1, 1902, and invoice rendered to A and B of Havana, for $9,850.00, as follows:

Merchandise	$9,000.00
Freight	700.00
Insurance	150.00
	$9,850.00

The cost of these goods was $8,700.00

(b) Account sales received March 15, 1902, for part of the consignment, showed gross proceeds $5,400.00, less dock and other expenses, including commission, $150.00. This account was accompanied by a 60 day draft for $5,250.00.

(c) Account sales received June 16, 1902, for balance of the consignment showed gross proceeds $5,660.00 less dock and other expenses, including commission, $175.00, and was accompanied by a 90 day draft for $5,485.00.

Problem 41

On January 1, 1900, A purchases the plant and business of B for $400,000.00, payable $100,000.00 cash; $150,000.00 January 1, 1901; $150,000.00 January 1, 1902, with interest on deferred payments at 6 per cent. None of the book accounts or stock of finished goods on hand January 1, 1900, are included in the sale, but are specifically reserved by B. Of such the accounts receivable are $28,500.00 and finished goods, per inventory, $45,000.00. The agreement further stipulates that B shall operate the plant during the year 1900 and shall be reimbursed on January 1, 1901, for all funds advanced for supplies, expense, labor, or any other purpose, in connection with the operation of the business during 1900, as shown by B's books Such advances to be computed monthly and to bear interest from the last day of each month at 6 per cent. per annum to January 1, 1901. The profits of the business for the year 1900 to belong to A.

On December 31, 1900, B reports that inventory of finished goods on hand is $48,500.00. Expenses have been $284,000.00, and sales $350,000.00.

Condensed particulars of transactions are as follows:

	Sales	Cash Collections	Cash Advances	Interest Due B.
January	$15,000.00	$10,000.00	$10,000.00	$550.00
February	10,000.00	15,000.00	25,000.00	1,250.00
March	5,000.00	10,000.00	12,000.00	540.00
April	5,000.00	15,000.00	32,000.00	1,280.00
May	5,000.00	5,500.00	35,000.00	1,225.00
June	5,000.00	18,000.00	25,000.00	750.00
July	100,000.00	55,000.00	30,000.00	750.00
August	80,000.00	75,000.00	25,000.00	500.00
September	75,000.00	55,000.00	30,000.00	450.00
October	25,000.00	45,000.00	30,000.00	300.00
November	15,000.00	50,000.00	15,000.00	75.00
December	10,000.00	19,000.00	15,000.00	....
	$350,000.00	$372,500.00	$284,000.00	$7,670.00

B presents the following statement to A on January 1, 1901, and requests settlement:

Sale of plant and business as per contract	$400,000.00
Less cash paid by A January 1, 1900	100,000.00
	$300,000.00
Interest 6 per cent., 1 year	18,000.00
Advanced by B monthly	284,000.00
Interest on advances	7,670.00
	$609,670.00
Sales	350,000.00
Balance due B.	259,670.00
Of which $150,000 deferred to January 1, 1902	150,000.00
Due January 1, 1901	$109,670.00

A is not satisfied with statement and employs certified public accountants to investigate and report another basis of settlement. It is found that the accounts receivable, December 31, 1900, are $6,000.00, and B has taken these, as well as the finished goods remaining on hand ($48,500.00), and claims both items belong to him. There are no liabilities.

Make statement for A, as requested, using your own methods. B's statement on interest on advances may be assumed to be correct in this question.

Problem 42

The American Manufacturing Company is incorporated by issue of preferred and common capital stock to three concerns doing the same class of business. An examination of the books was made and the properties valued by actual appraisement by a disinterested expert. The following is a summary of the condition of each of the three plants:

	A. Jackson & Co.	Smith & Co.	Spear
Accounts receivable (good)	$25,000.00	$15,000.00	$50,000.00
Stock on hand	25,000.00	20,000.00	10,000.00
Plant and machinery	50,000.00	25,000.00	90,000.00
Accounts and bills payable	10,000.00	20,000.00	15,000.00
Mortgages	20,000.00	....	35,000.00
Average annual net profit 5 years	10,000.00	15,000.00	8,000.00

You are consulted regarding the capitalization of the new company. How should this stock be apportioned to the three concerns? In capitalizing the new company you must provide $100,000.00 additional preferred and common stock, to be offered for sale at some future period. Make an equitable distribution, taking into consideration the value of the net assets and the goodwill. The latter to be on the basis of one-half of the annual net profit for the last five years.

Problem 43

A manufacturing company that had been in business for a number of years began operations in the first of a certain year in an entirely new plant, built to last 20 years, the building of which was made necessary by wear and tear and obsolescence affecting the old plant. The new equipment cost $200,000.00, for which the company issued 10 obligations of $20,000.00 each at 6%, maturing the first of each year following the date of their occupancy of the new plant. The old plant had been disposed of at a scrap value of $10,000.00 when it was vacated, at which time the balance sheet of the company showed:

ASSETS.

Plant	$225,000.00	
Less scrap value	10,000.00	$215,000.00
Other assets		80,000.00
		$295,000.00

LIABILITIES.

Capital stock		$200,000.00
Surplus		50,000.00
Profit and loss		25,000.00
Gross sales for year	$100,000.00	
Less operating expenses	75,000.00	
Floating debt		20,000.00
		$295,000.00

The new plant was at once added to the asset values at $200,000.00, and the company's liability on its obligations shown for the same amount.

Owing to competition and limited use of the products, the sales have been uniform for a number of years, and could not be expected to increase, but the new and improved machinery, with better methods of manufacture, saves 10% in operating expenses (including therein 6% interest on the borrowed money) by their method of accounting.

The books have shown a net earning of $25,000.00 per year as follows:

Gross sales	$100,000.00
Operating expenses:	
Manufacturing expenses	
Repairs expenses	
Selling expenses	
General expenses	75,000.00
Taxes	
Insurance	
Ground lease rentals	
Net	$25,000.00

At the close of the first year's operations of the new plant, the balance sheet showed as follows:

ASSETS.

Plant	$415,000.00
Other assets	112,500.00
	$527,500.00

LIABILITIES.

Capital stock		$200,000.00
Surplus		75,000.00
Profit and loss		32,500.00
Sales for year	$100,000.00	
Less operating expenses	67,500.00	
Notes payable		200,000.00
Floating debt		20,000.00
		$527,500.00

The balance sheet is submitted, and a dividend declared.

Discuss all the foregoing, and illustrate your conclusions, and draw up statement showing what, in your opinion, is the true condition of the company.

Problem 44

The following statements comprise the trial balances of a business at the beginning and the end of a fiscal period, together with the volume of the transaction during said period:

		Trial Balance January 1.		Interim Transactions		Trial Balance December 31.	
1	Cash	$1,115.00	....	$24,941.00	$24,696.00	$1,360.00	....
2	Merchandise ..	5,050.00	....	17,665.00	26,874.00	....	$4,159.00
3	Debtors	3,110.00	....	25,135.00	24,229.00	4,016.00	....
4	Fixtures	2,800.00	....	505.00	....	3,305.00	....
5	Creditors	....	$1,575.00	18,922.00	19,410.00	....	2,063.00
6	Loan (int.pd.6)	....	500.00	....	1,000.00	....	1,500.00
7	Capital	....	10,000.00	....	....	....	10,000.00
8	Int. and dis....	....	....	693.00	360.00	333.00	....
9	Rent	....	....	900.00	....	900.00	....
10	Insurance	....	....	50.00	....	50.00	....
11	Salaries	....	....	1,820.00	....	1,820.00	....
12	Advertising	....	....	900.00	....	900.00	....
13	Carting	....	....	1,705.00	....	1,705.00	....
14	Expense	....	....	1,333.00	....	1,333.00	....
15	Drawings, prop	....	....	2,000.00	....	2,000.00	....
		$12,075.00	$12,075.00	$96,569.00	$96,569.00	$17,722.00	$17,722.00

(a) The sales book shows sales posted to debtors to the amount of $25,135.00.

(b) The journal shows allowances to debtors for returns of merchandise sales $1,015.00, and claims on creditors for returns of merchandise purchases, $230.00,also application of debtors' balance to settle creditors' account in the amount of $9,500.00, both accounts being in the name of the same correspondent.

(c) The ledger shows that the nominal accounts entitled rent, insurance and office salaries, contain only cash charges, while the nominal accounts entitled advertising, cartage, and expense show cash charges in the total amounts of $100.00, $200.00, and $733.00 respectively, all other charges therein being by invoice duly posted to creditors' accounts.

(d) The merchandise account shows cash charges of $610.00, and cash credits of $1,509.00 for cash purchases and cash sales respectively.

(e) The invoice books show invoices posted to creditors' accounts to the amount of $19,410.00.

From the foregoing statement of facts write the several accounts displayed in the trial balance, showing the elements composing each account stated according to the titles of the accounts complementary thereto.

Problem 45

The Glenisla S. S. Company, Lim., own one "tramp steamer," the S. S. Glenisla, 2,211 tons gross register, which was chartered on February 27, 1900, as follows:

Cardiff to Genoa with coal at 8s. 9d. per ton.

NOTE.—The charter stipulates for an address commission to the charterers of 2 per cent. on the freight, payable on signing bill of lading, together with a brokerage of 5 per cent. to the charterers' agents, of which one-third is repayable to the vessel.

Agua Amarga (Spain) to Barrow with ore at 8s. 3d. per ton.

NOTE.—Address commission of 2½ per cent. on freight, payable to charterers, and a brokerage of one-third of 5 per cent. payable to charterers' agents on signing charter.

The vessel was insured at Lloyd's on April 29, 1899, the inclusive premium for one year being £1,952 10s. 8d., and the managing owner's remuneration was fixed by the articles of association at 2s. 6d. per gross registered ton per annum.

The voyage commenced on March 9, 1900, and the following are the particulars from which the accounts are to be made up:

	£	s	d
Freight on 3,190 tons of coal to Genoa; and freight on 3,660 tons ore to Barrow:			
Stores account	162	8	1
Port charges, trimming, etc., Cardiff	121	2	3
Captain's account for harbor wages, etc., Cardiff	64	7	6
Bunker coals, as per engineer's receipt; 279 tons at 9s; 154 tons at 8s. 11¼d.			
Discharging at Genoa	93	15	3
Agents' disbursements, Genoa, deducted from freight remitted (exch. 27.22)	lire 3,012.80		
Captain's expenses, Genoa	7	19	0
Stevedores at Agua Amarga, loading 3,660 tons ore	152	10	0
Despatch money	213	13	4
Interest on advance	10	19	9
Captain's expenses	5	15	9
Agents' accounts for port charges, agency, etc., exclusive of address commission and brokerage (exch. 26.75)	pesetas 2,964.88		
Bunker coal at Portland, 20 tons at 18s. 6d., and port charges, £3 2s.			
Port charges, discharging and despatch money at Barrow	423	7	6
Captain's portage bill	168	6	8
Overlookers' expenses	4	5	0

The voyage terminated on April 28, 1900. Draft the necessary entries to record the transactions, and complete voyage account, showing the profit or loss.